Esports In-Depth:

The Role of Game Developers in Building Sports of the 21st Century

Bryce Blum

Executive Vice President of Esports, **Catalyst Sports & Media**

Founding Partner, **ESG Law**

Thursday, March 22

WHAT ARE ESPORTS?

Esports [ee-spohrts] — noun

1. The umbrella term used to refer to the competitive video game industry.

THE ESPORTS OPPORTUNITY

2011 LEAGUE OF LEGENDS

THE ESPORTS OPPORTUNITY

2017 LEAGUE OF LEGENDS

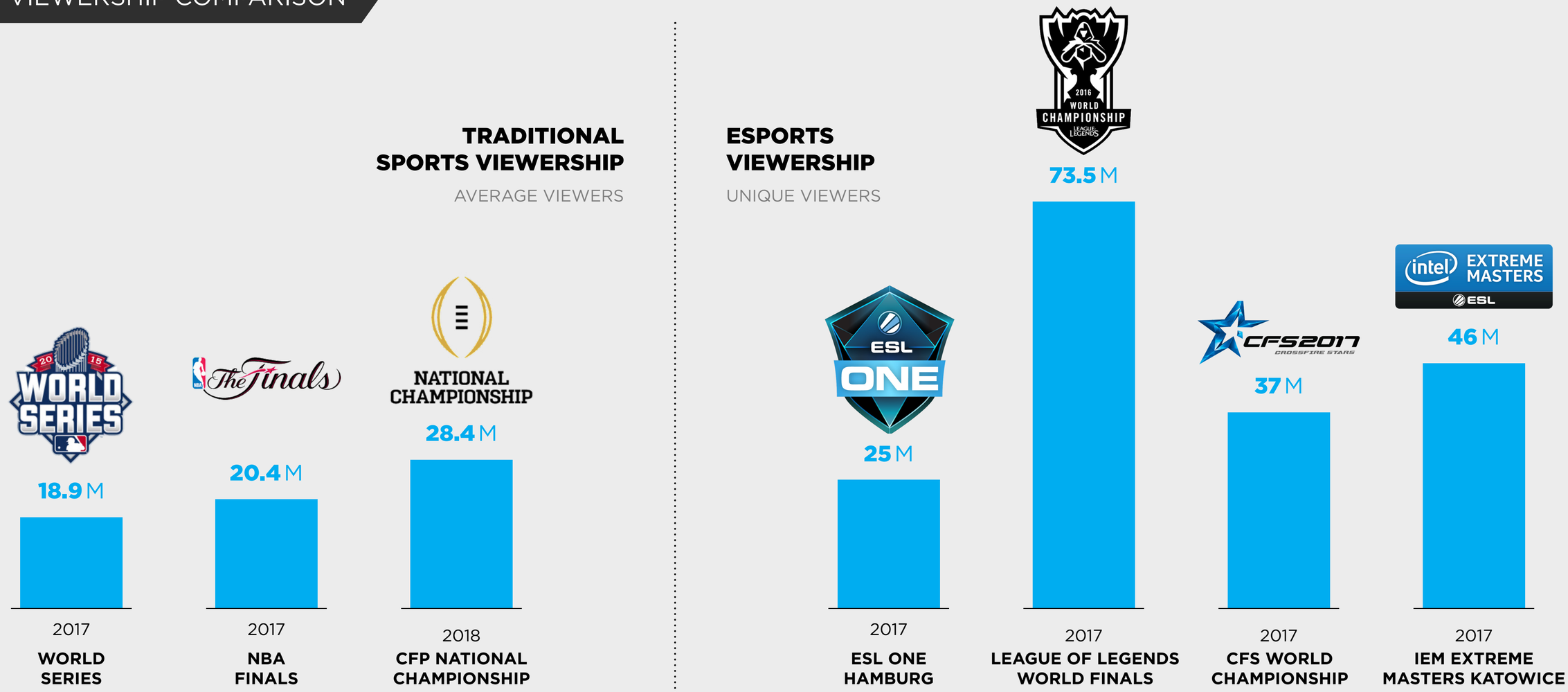
THE ESPORTS OPPORTUNITY

2017 Counter-Strike

THE ESPORTS OPPORTUNITY

2017 Dota

VIEWERSHIP COMPARISON



References: New York Times – January 2016. Statista – June 2016. Yahoo Sports – June 2016. lolesports.com – November 2015/2016. Score esports – July 2016.
Note: The right side is the unique viewers from the final match of each event while the left side is average of the final round of games.

THE INFLECTION POINT

Esports have transitioned from merely advertising for the underlying game into an independently monetized set of spectator sports.

ADVERTISING FOR GAMES → **INDEPENDENTLY MONETIZED**

THE INFLECTION POINT

MAJOR MOMENTS

2012
- Riot Games
- League of Legends Championship Series

2013
- Riot Games
-

2014
- Coca-Cola
- Riot Games
- twitch
- amazon

2015
- MTG
- ESL
- ESEA
- DREAMHACK

2016
- Activision Blizzard
- MLG
- ESPN
- ESPN Esports
- Twitter
- Turner Sports
- LEAGUE
- Riot Games
- mlbam

THE INFLECTION POINT

MAJOR MOMENTS

YouTube

ECS

LEAGUE OF LEGENDS CHAMPIONSHIP SERIES

facebook

ESL

2017

2018

OVERWATCH LEAGUE

THE INFLECTION POINT TEAMS

2015

- Linkin Park — Steve Kaplan
- Virtus.pro
- NRG — Shaquille O'Neal, Alex Rodriguez, Andy Miller, Mark Mastrov
- Echo Fox — Rick Fox

2016

- Rob Moore
- Peter Guber, Ted Leonsis
- Wes Edens
- LA Renegades
- Natus Vincere
- Philadelphia 76ers
- Echo Fox — Stratton Sclavos
- Cloud9 — Dan Fiden

THE INFLECTION POINT TEAMS

2017

- Lionsgate Films → Lionsgate
- Raptor Group → Fnatic
- Miami Heat → Misfits
- Neil Leiberman → OpTic Gaming
- Madison Square Garden Company / Knicks → Counterlogic Gaming
- Mark Mastrov → Boston Bruins
- AEG → AEG
- Marshawn Lynch, Jennifer Lopez, Michael Strahan → NRG
- Ken Hersh → Nerd Street Gamers

2018

Overwatch League

- NetEase → Shanghai Dragons
- Jeff Wilpon → New York Excelsior
- Robert Kraft → Boston Uprising
- Stan Kroenke → Los Angeles Gladiators
- Comcast → Philadelphia Fusion

League of Legends Championship Series

- Houston Rockets → Gaming
- Dan Gilbert → 100 Thieves
- GS Warriors → Golden State Warriors
- Jerry Jones → Complexity

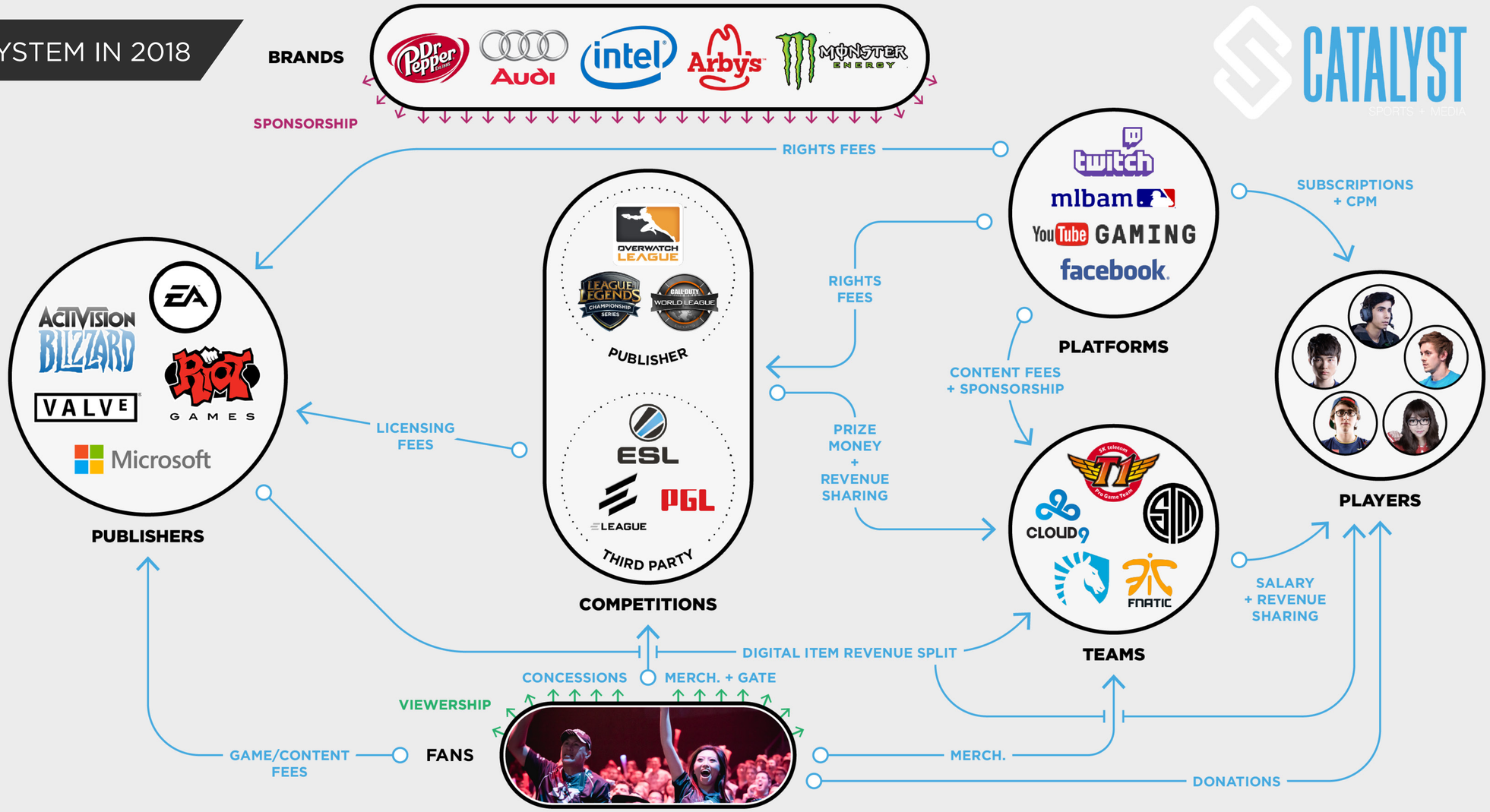
THE INFLECTION POINT

2011 LEAGUE OF LEGENDS

THE INFLECTION POINT

2017 LEAGUE OF LEGENDS

ESPORTS ECOSYSTEM IN 2018



ROLE OF THE GAME PUBLISHER

PUBLISHERS

RIGHTS FEES

DIGITAL ITEM REVENUE SPLIT

GAME/CONTENT FEES

LICENSING FEES

ORGANIZING AN ESPORTS ECOSYSTEM

There is inherent tension between a publisher's two primary goals in organizing an esports ecosystem.

MONETIZATION V. **MARKETING / ENGAGEMENT**

ROLE OF THE GAME PUBLISHER

VALVE

ACTIVISION BLIZZARD

RIOT GAMES

HANDS OFF

HANDS ON

ROLE OF THE GAME PUBLISHER

VALVE

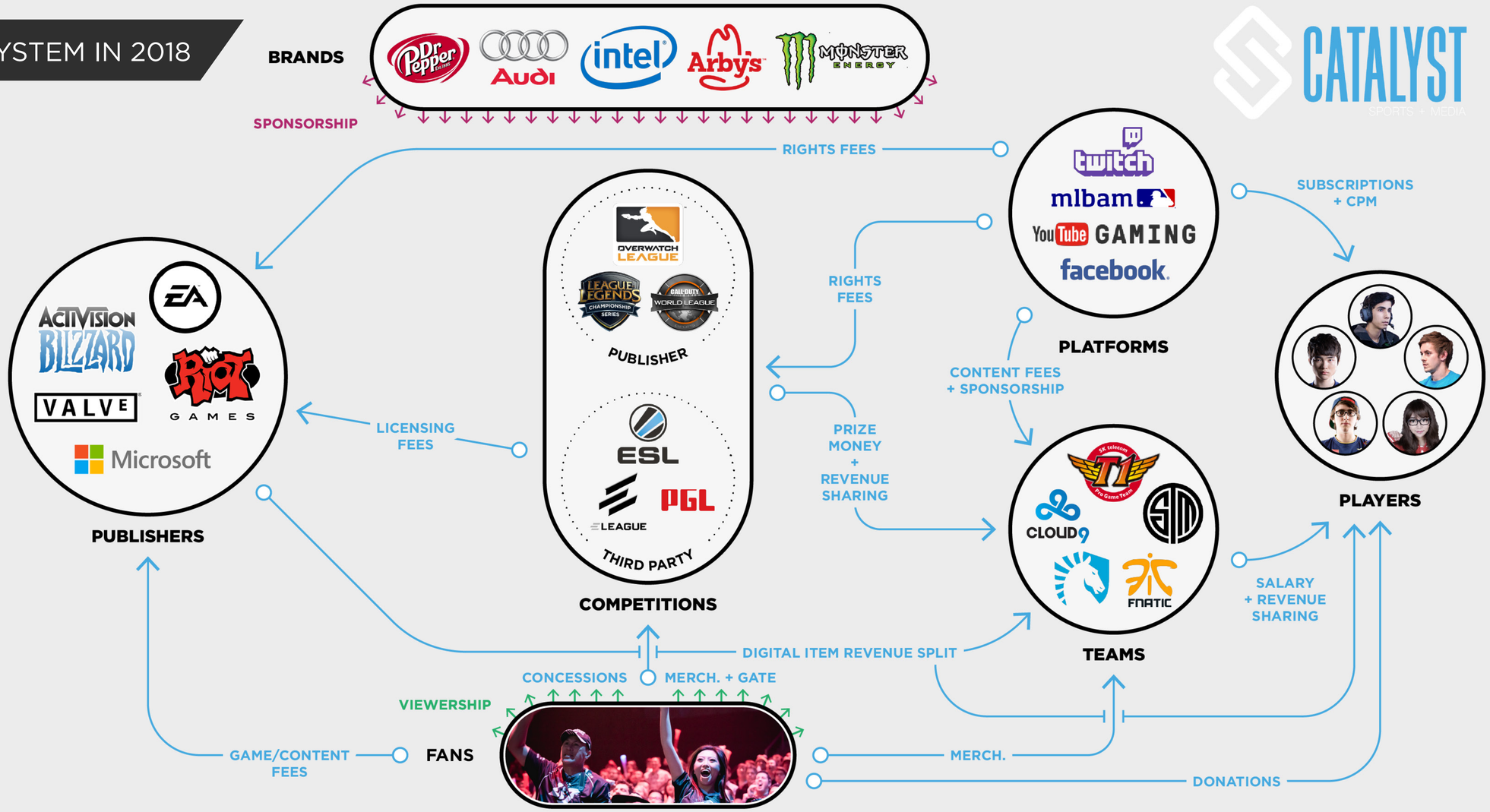
ACTIVISION BLIZZARD

RIOT GAMES

HANDS OFF

HANDS ON

ESPORTS ECOSYSTEM IN 2018



ORGANIZING AN ESPORTS ECOSYSTEM

COMPETITIONS

RIGHTS FEES

PRIZE MONEY + REVENUE SHARING

CONCESSIONS + MERCH + GATE

LICENSING FEES

Can an esport be made?

CONVENTIONAL WISDOM v. **MODERN TRENDS**

ORGANIZING AN ESPORTS ECOSYSTEM

Organize it yourself or hire a third party?

- Yourself
- Third Party
  - Which third party?
    - ESL
    - ELEAGUE
    - PGL
    - FaceIt
    - MLG

Selecting & Securing Participants

- Teams
- Players
  - Creating the path to pro

Media Rights

- Exclusive or not
- Selecting a Broadcast Partner
  - Twitch
  - Facebook
  - YouTube
  - FaceIt
  - MLBAM

Global v. Localized

Determining type of competition

- League v. Tournaments
- Off-season?
- LAN v. Online play

How do you engage fans

- In-game content
- Drop for viewers
- Spectator Mode
- Social media engagement

THE RIOT MODEL

STANCE: Centrally Controlled Ecosystem

RIOT GAMES

GAMES: League of Legends

LEAGUES OPERATED:

- North American League of Legends Championship Series (NALCS)
- Europe League of Legends Championship Series (EULCS)
- League of Legends Championship Korea (LCK)
- League of Legends Pro League (LPL)
- League of Legends Masters Series (LMS)
- Garena Premier League (GPL)
- Campeonato Brasileiro de League of Legends (CBLoL)
- Liga Latinoamérica Norte (LLN)
- Copa Latinoamérica Sur (CLS)
- League of Legends Japan League (LJL)
- Turkey Champions League (TCL)
- League of Legends Continental League (LCL)
- Oceanic Pro League (OPL)

CASE STUDY: LEAGUE OF LEGENDS

CASE STUDY: LEAGUE OF LEGENDS

PROS

Control

- Protection of the brand
- High degree of professionalization
- Manage revenue flow

Encourages investment from key stakeholders

Predictable Scheduling

Global engagement

CONS

Very Expensive

Limited cross-regional play

Less responsive to external feedback

Hinders grass roots competitions

Reduced incentives to consistently compete

THE ACTIVISION-BLIZZARD MODEL

STANCE: Evolving

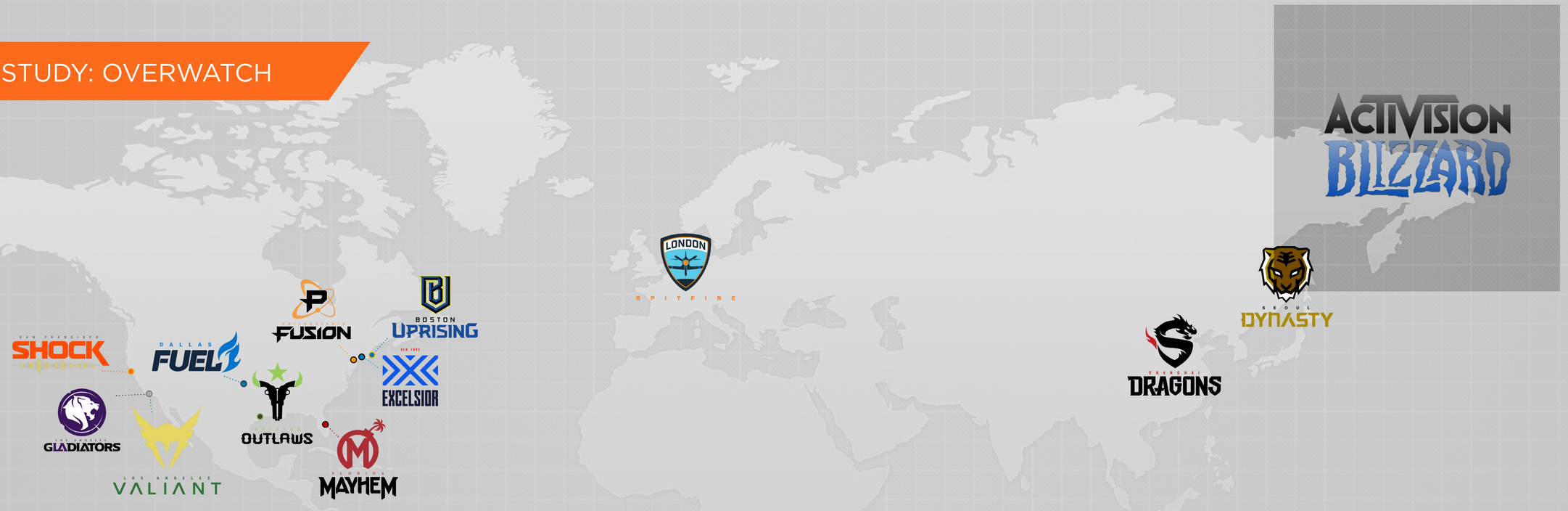
GAMES

Overwatch, Hearthstone, Call of Duty, Heroes of the Storm, Starcraft II

LEAGUES OPERATED

- The Overwatch League
- Call of Duty World League
- Heroes of the Storm Global Championship
- Hearthstone Championship Tour
- Global Starcraft League

CASE STUDY: OVERWATCH



CASE STUDY: OVERWATCH

PROS

Control

- Protection of the brand
- High degree of professionalization
- Manage revenue flow

Localization unlocking fans and revenue

Encourages investment from key stakeholders

Predictable scheduling

CONS

Very Expensive

Less responsive to external feedback

Lack of opportunities to develop competitive player base

Lack of regional play

Hinders grass roots competitions

Reduced incentives to consistently compete

THE VALVE MODEL STANCE: Laissez faire

VALVE®

GAMES

Counter-Strike: Global Offensive and Dota 2

LEAGUES OPERATED

None

CASE STUDY: COUNTER-STRIKE: GLOBAL OFFENSIVE

VALVE®

PROS

- Inexpensive
- Lots of inter-regional competition
- Compelling content throughout the year
- Opportunities for experimentation
  - Blast Pro Series
  - Beyond The Summit
- Strong environment for talent development

CONS

- Inability to protect the brand
- Unpredictable and overlapping scheduling
- Inconsistent storyline development
- Inconsistent Quality
- Unable to vet stakeholders

FRANCHISED LEAGUES: A DEEPER DIVE

Partners v. Stakeholders

REVENUE SHARING

DECISION-MAKING INFRASTRUCTURE

PERMANENCY:
NO PROMOTION-RELEGATION

FRANCHISED LEAGUES: A DEEPER DIVE

	League of Legends Championship Series	Overwatch League
Price Tag	$10,000,000	$20,000,000
Media Rights	YouTube, twitch	MLG, twitch
Partners	State Farm	T-Mobile, hp, Sour Patch Kids, Toyota, intel

FRANCHISED LEAGUES: A DEEPER DIVE

	League of Legends Championship Series	Overwatch League
Viewable Hours	18.8 Million	32.5 Million
Average Concurrents	191,274	134,359
Max Concurrents	401,720	436,789 (week 1, day 1)

NOTE:

- Chinese viewership not included
- Total Air Time is not the same. NALCS is 98 hours; OWL is 247
- OWL numbers do not inlcude MLG.tv

MEDIA RIGHTS

EXCLUSIVE: *Maximize immediate revenue*

- Overwatch League – Twitch (MLG)
- ESL – Facebook
- ECS – YouTube

Non-Exclusive: *Maximize reach*

- LCS on Twitch and YouTube

MEDIA RIGHTS — SELECTING A PARTNER

CRITERIA

- Reach
- Revenue
- Quality
- Long-term growth

DO IT YOURSELF?

FIND A PARTNER:

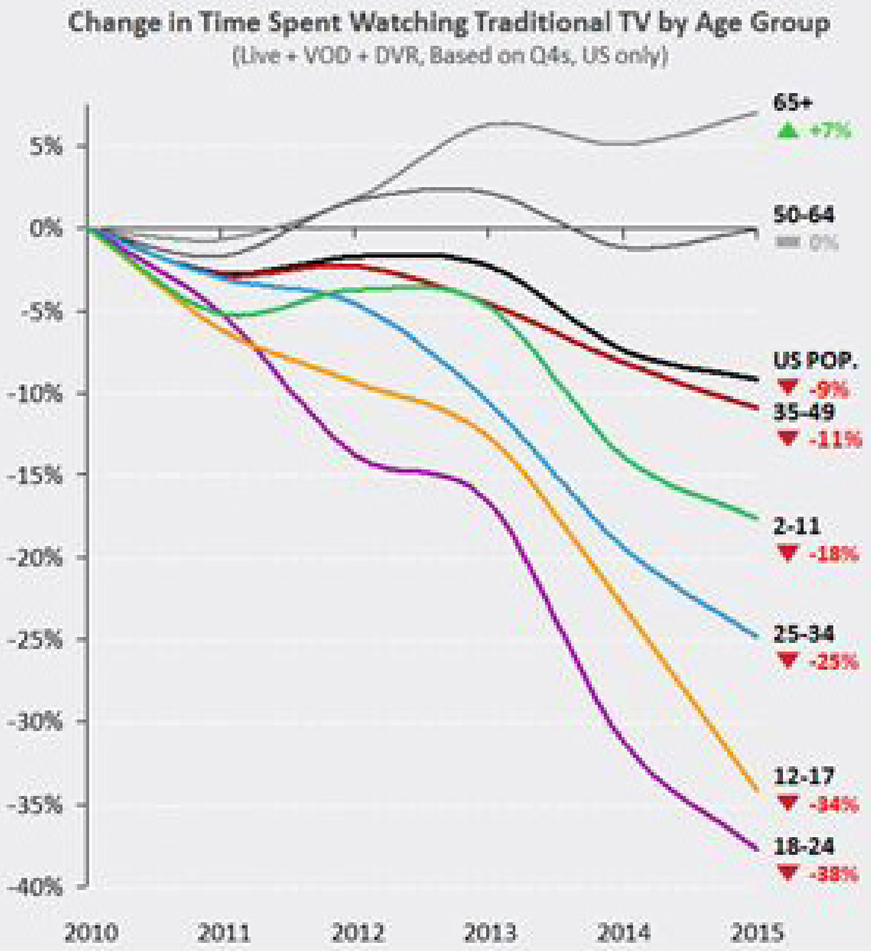
twitch

facebook

YouTube

mlbam

MEDIA RIGHTS — DO WE NEED TV?



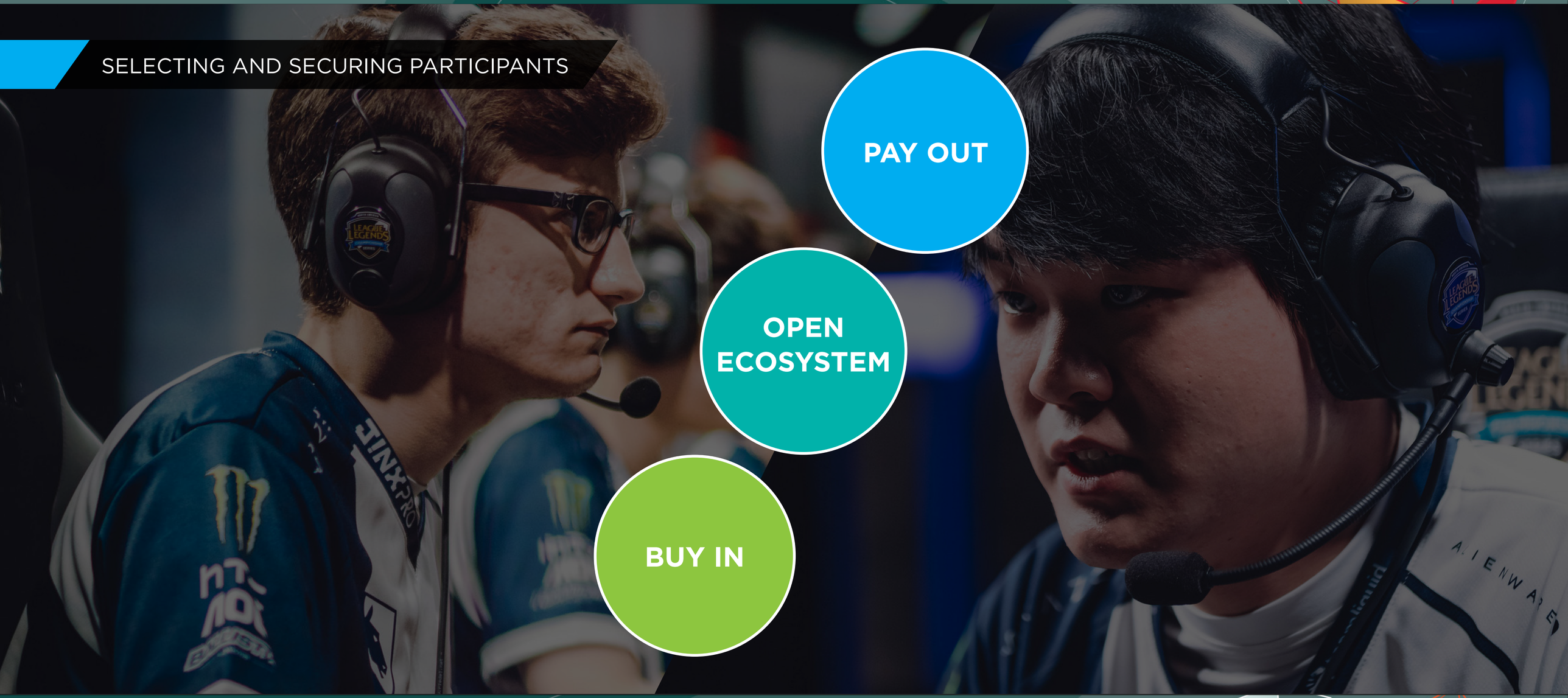
DETERMINING THE TYPE OF COMPETITION (LEAGUE V. TOURNAMENTS)

Impact on monetization

Listen to your community

Calendar of content

SELECTING AND SECURING PARTICIPANTS

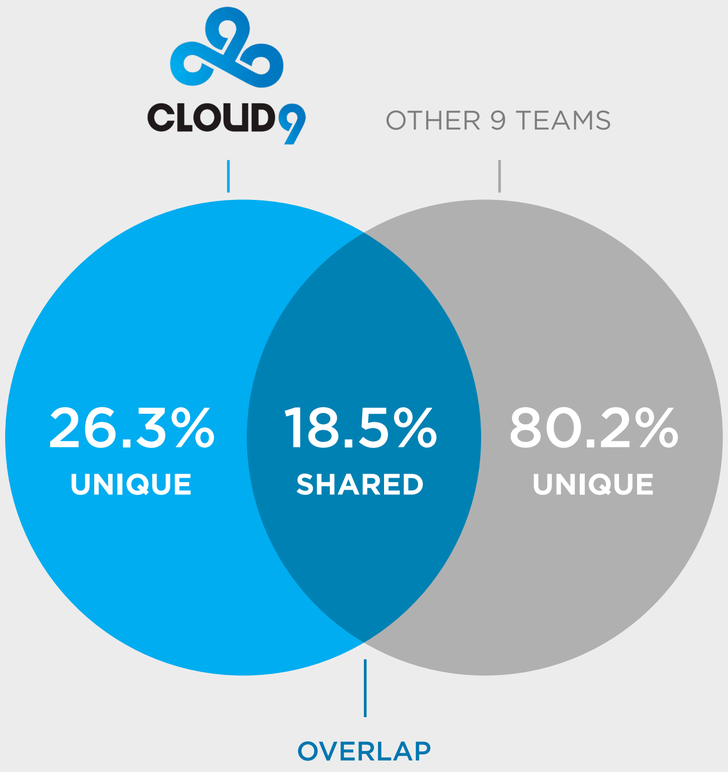


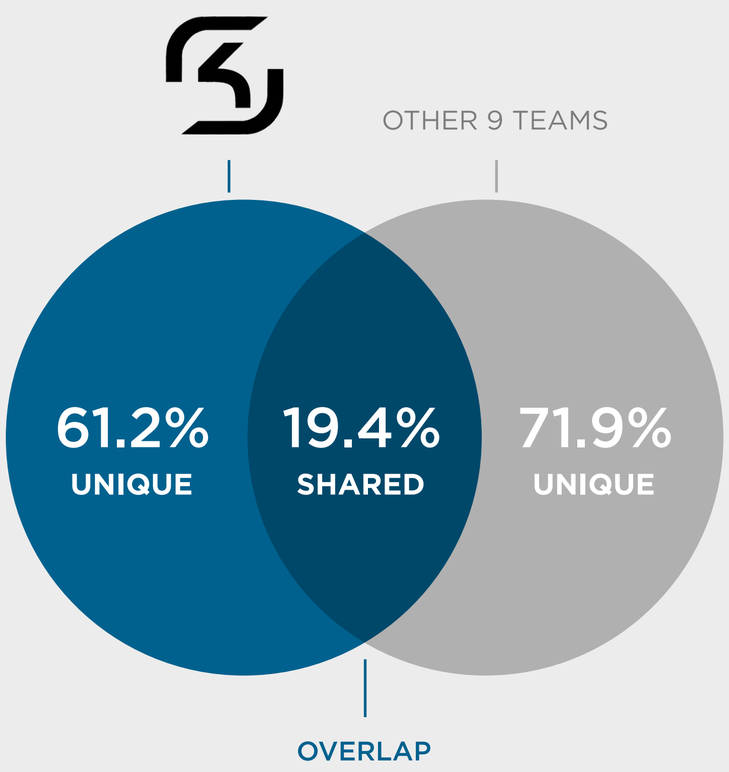
SELECTING AND SECURING PARTICIPANTS

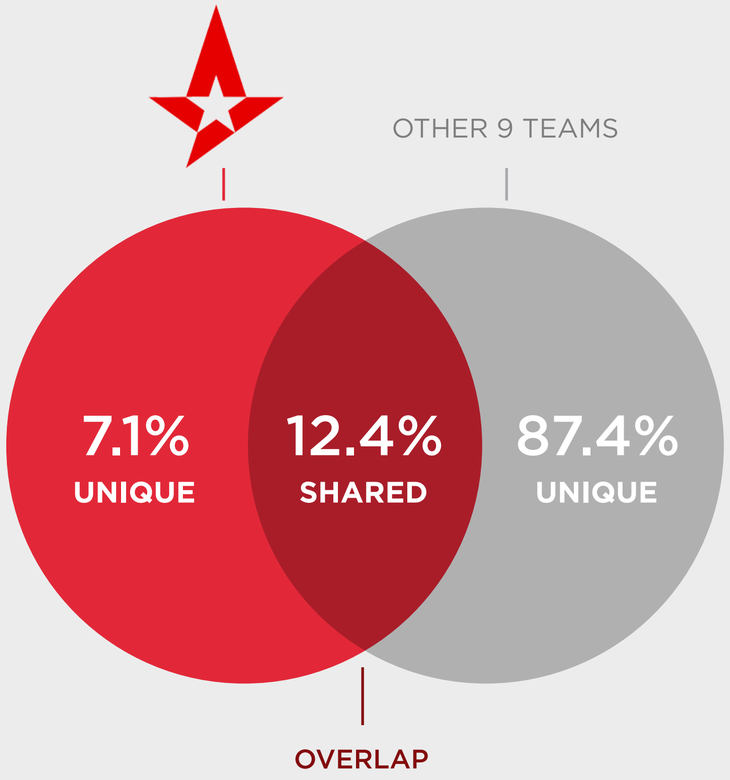
TEAM FOLLOWERS

CS GO

SOURCE: FANAI™





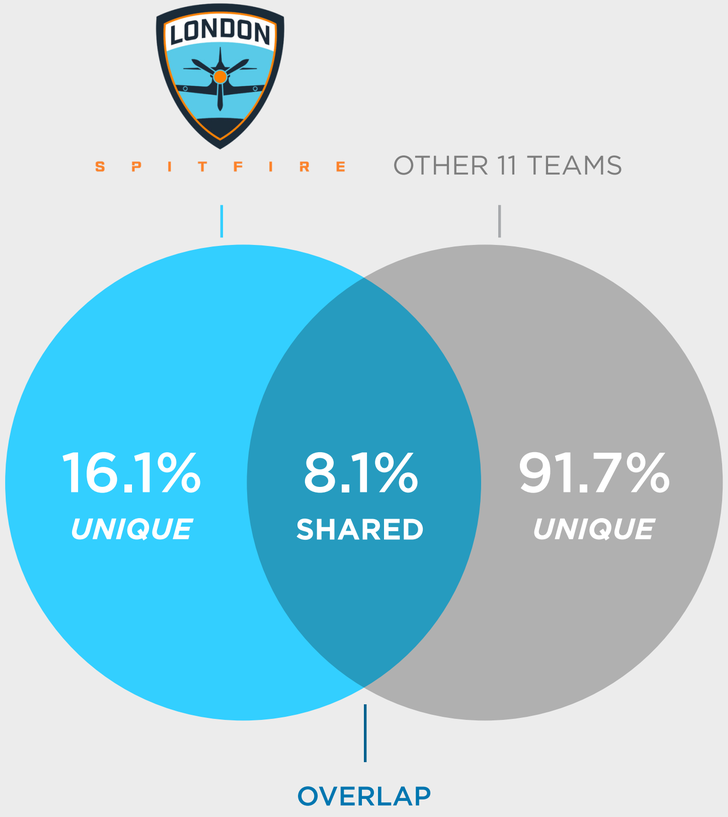


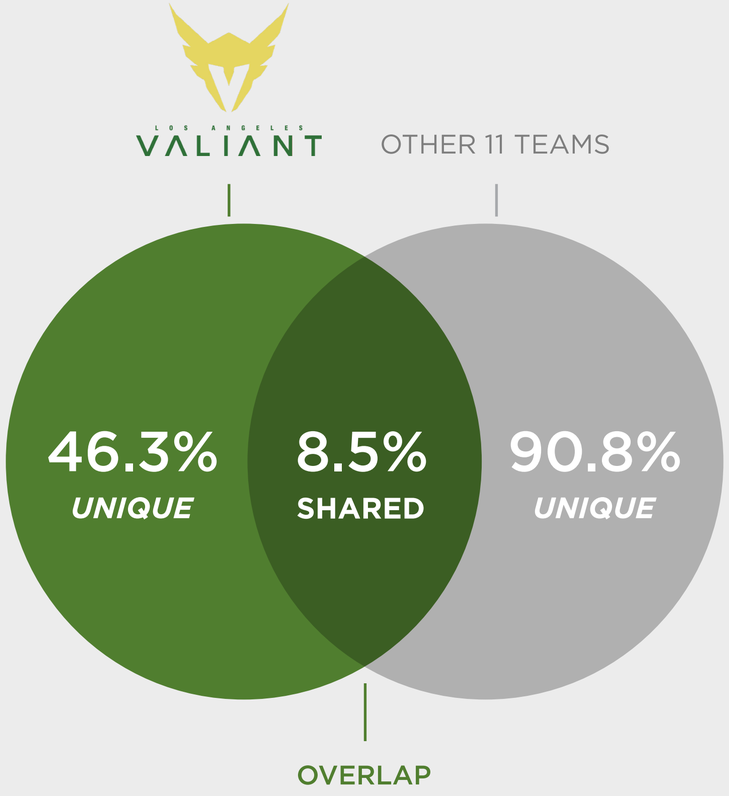
SELECTING AND SECURING PARTICIPANTS

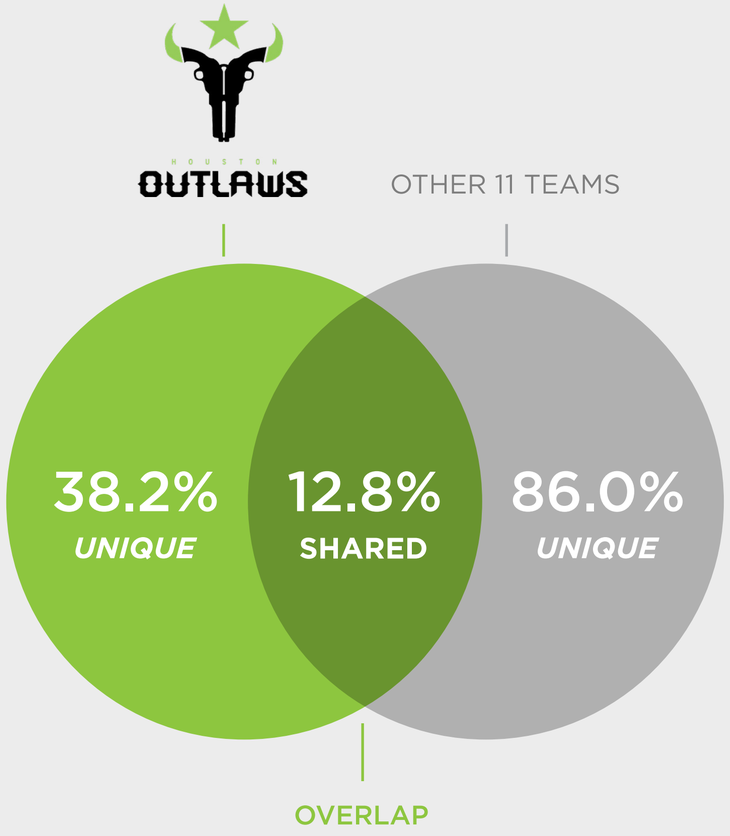
TEAM FOLLOWERS

OVERWATCH LEAGUE

SOURCE: FANAI™







SELECTING AND SECURING PARTICIPANTS

ENGAGING FANS: IN-GAME CONTENT

OWL Jerseys

ENGAGING FANS: IN-GAME CONTENT

CSGO
Stickers / Signatures

ENGAGING FANS: IN-GAME CONTENT

Dota Compendium

SO YOU WANT TO BUILD AN ESPORT?

WHICH PARTNER?

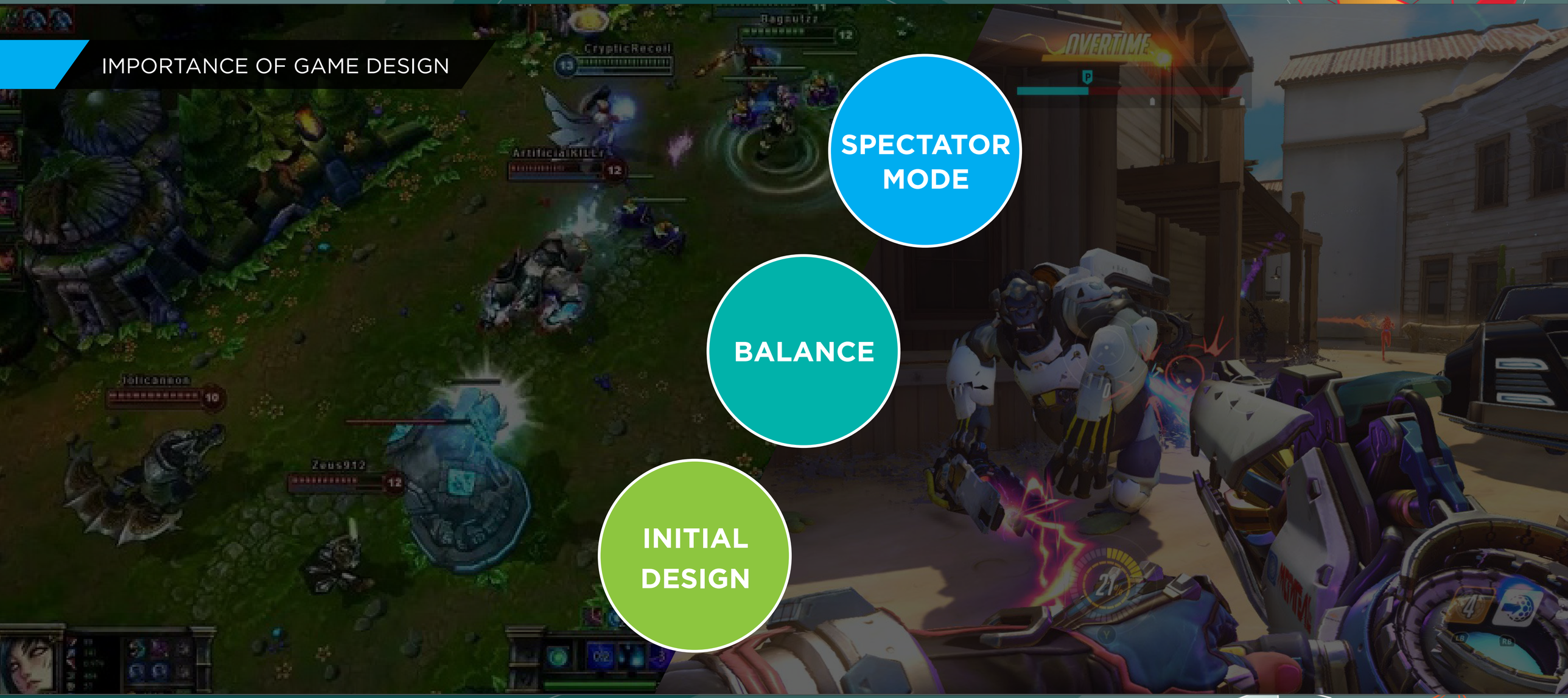
- Expense
- Region
- Type of game
- Online v. LAN

DO IT YOURSELF?

FIND A PARTNER:

ELEAGUE | PGL | FACEIT | MLG | NGE | ESL

IMPORTANCE OF GAME DESIGN



CONCLUSION

Organize it yourself or hire a third party?

- Yourself
- Third Party
  - Which third party?
    - ESL
    - ELEAGUE
    - PGL
    - FaceIt
    - MLG

Selecting & Securing Participants

- Teams
- Players
  - Creating the path to pro

Media Rights

- Exclusive or not
- Selecting a Broadcast Partner
  - Twitch
  - Facebook
  - YouTube
  - FaceIt
  - MLBAM

Global v. **Localized**

Determining type of competition

- League v. Tournaments
- Off-season?
- LAN v. Online play

How do you engage fans

- In-game content
- Drop for viewers
- Spectator Mode
- Social media engagement

Esports In-Depth:

The Role of Game Developers in Building Sports of the 21st Century

Bryce Blum

Executive Vice President of Esports, **Catalyst Sports & Media**

Founding Partner, **ESG Law**

Thursday, March 22